

Michigan IV-D Child Support Manual
Michigan Department of Health and Human Services

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1. Overview

In addition to withholding a non-custodial parent's (NCP's)/obligor's periodic income, the IV-D program has the authority to withhold income from bonus payments and other types of lump-sum payments issued to an NCP/obligor by his/her source of income (SOI). The procedures for bonus and other lump-sum payment reporting, withholding, and payment remittance necessitate coordination between employers,

other SOIs, Michigan's Office of Child Support (OCS) Central Operations, and Friend of the Court (FOC) offices.

Centralized coordination provides SOIs with an initial, single point of contact that relieves SOIs from the burden of reporting lump-sum payments to and receiving direction from all the individual FOC offices. The centralized process also minimizes FOC involvement; however, it does not completely eliminate FOC action, does not cover all situations, and does not supplant the FOC's or court's authority for enforcing income withholding. FOC action after the initial contact and response may be necessary to provide further direction to the SOI.

2. Legal Authority for Lump-Sum Withholding and Reporting

Income is subject to income withholding under the federal and state definitions of income. The definition of income under federal and Michigan child support law includes lump-sum payments. A lump-sum payment is typically a one-time payment that is not part of an individual's regular/periodic income. Examples of lump-sum payments include bonuses, incentive pay, commissions, accumulated vacation pay or sick leave, profit sharing, severance, buy-out, or workers' compensation, and claim settlements.

Federal law does not require SOIs to report the payment of bonuses or lump sums to a child support agency. Individual states' laws provide the statutory requirements. Michigan law does not expressly require employers or other SOIs to report bonus or lump-sum payments.

The *Income Withholding for Support* form (i.e., income withholding notice [IWN]) issued by Michigan includes language for lump-sum reporting. Refer to [Section 6.03, "Income Withholding," in the Michigan IV-D Child Support Manual](#) for income withholding policy as well as details regarding the language on the IWN.

2.1 Definitions of Income

2.1.1 Michigan's Definition of Income

Michigan's statutory definition of income encompasses various types of lump-sum payments that may be paid to child support obligors by various entities.¹ Specifically, MCL 552.602(n) defines income as any of the following:

- Commissions, earnings, salaries, wages, and other income due or to be due in the future to an individual from his or her employer and successor employers;
- A payment due or to be due in the future to an individual from a profit-sharing plan, a pension plan, an insurance contract, an annuity,

¹ Michigan Compiled Law (MCL) 552.602(n)

social security, unemployment compensation, supplemental unemployment benefits, or worker's compensation; or

- An amount of money that is due to an individual as a debt of another individual, partnership, association, or private or public corporation, the United States or a federal agency, this state or a political subdivision of this state, another state or a political subdivision of another state, or another legal entity that is indebted to the individual.

2.1.2 Federal Definition of Income

The definitions of income under the federal Social Security Act (The Act) also include bonuses and lump sums. For the purpose of withholding income from federal agencies, income is generally defined as "moneys payable to an individual which are considered to be based upon remuneration for employment."² For the purpose of withholding income from other SOIs, income is defined as "any periodic form of payment due to an individual, regardless of source, including wages, salaries, commissions, bonuses, workers' compensation, disability, payments pursuant to a pension or retirement program, and interest."³

2.2 Chargeable Bonus

Federal and state laws do not expressly provide a definition of a "chargeable bonus." However, a court may order a certain percentage of a bonus payment as an additional amount of support. This type of withholding, commonly called a "chargeable bonus" withholding, can only be taken from a bonus lump-sum payment.

2.3 Withholding Lump-Sum Payments Requires an IWN

An SOI is liable for withholding income from a lump-sum payment only if the SOI has been served with an IWN and/or a notice of lien.

FOC and other IV-D staff must:

- Not verbally or otherwise direct an SOI to withhold an NCP's income if an IWN or a notice of lien has not been previously issued to the SOI – regardless of whether the SOI is the NCP's primary or secondary SOI;
- Issue a periodic IWN or an *Income Withholding for Support – One-time Order/Notice for Lump Sum Payment* (FEN58A) to direct an SOI to withhold income in the absence of a previously issued IWN, and/or in the absence of/in addition to an administrative or judicial lien.

² Social Security Act, Title IV, Part D, section 459(h)(1) codified as United States Code (USC) Title 42, section 659(h)(1)

³ Social Security Act, Title IV, Part D, section 466(b)(8) codified as USC Title 42, section 666(b)(8)

Note: Assets subject to liens include income such as insurance claim settlements or workers' compensation; however, this manual section only addresses income for which an IWN has been issued. Refer to [Michigan IV-D Child Support Manual Section 6.30, "Liens – Insurance,"](#) for details regarding liens against insurance and workers' compensation claims as well as coordinating the issuance of liens and/or IWNs.

If the NCP does not have an active IWN in the Michigan Child Support Enforcement System (MiCSES), (s)he will not be included on the *Employee Listing / Bonus Report* that OCS Central Operations sends to the SOI and affected FOC office(s).⁴ If an IWN had been previously issued to the SOI for the NCP but the IWN is no longer active in MiCSES (e.g., no payment has been received for 90 days) and a termination IWN has not been issued to the SOI, the SOI will still be liable for withholding and may directly contact OCS Central Operations⁵ or the FOC office to determine whether the NCP's lump-sum payment should be withheld. Under these conditions, IV-D staff may verbally direct an SOI to withhold from a lump-sum payment. However, if the SOI will not withhold from the lump-sum payment based on verbal instruction only, OCS Central Operations staff will refer the issue to the FOC office and/or FOC staff will issue a one-time lump-sum IWN to the SOI.

3. SOI Lump-Sum Reporting

3.1 SOI Reporting Methods

Paper IWNs and electronic income withholding orders (e-IWOs) provide SOIs with OCS Central Operations contact information for reporting lump-sum payments before disbursing them to their employees/obligors. SOIs have three reporting methods available – two that directly involve OCS Central Operations (Subsections 3.1.1 and 3.1.3 below) and one that occurs automatically through MiCSES (Subsection 3.1.2 below).

3.1.1 Contact OCS Central Operations

SOIs may contact OCS Central Operations staff in writing or via telephone, fax, or email at:

Michigan Department of Health and Human Services
Office of Child Support – Central Operations
Attention: Lump-Sum Reporting

⁴ Ref: Subsection 4, "OCS Central Operations Staff Actions," and Subsection 5.1, "FOC Actions for NCPs/Dockets Not Listed on the Statewide EMPR Report," in this manual section.

⁵ If the SOI reports the lump-sum payment through the Federal Child Support Portal's Debt Inquiry Service (DIS), OCS Central Operations will proceed as outlined in Subsection 4 of this manual section. Except for a few instances, the Federal Child Support Portal (formerly known as the State Services Portal) will be referred to as "the Portal" throughout this manual section. Ref: [Section 3.06, "Federal Child Support Portal,"](#) of the [Michigan IV-D Child Support Manual](#) for more information about the Portal.

P.O. Box 30478
Lansing, MI 48909

Telephone: (866) 540-0008 (When prompted, the caller must say
“lump sum” or “employer bonus.”)

Fax: (517) 335-3030

Email: mdhhs-ocs-employerbonus@michigan.gov

3.1.2 Report Through the Federal e-IWO System

SOIs participating in the e-IWO System have the option of providing lump-sum payment notifications via the e-IWO acknowledgment process.⁶ MiCSES automatically processes these notifications. SOIs are not mandated to provide the lump-sum notification electronically, and electronic notification is not expressly required by the SOI/e-IWO System agreement.

3.1.3 Report Through the Federal Child Support Portal

SOIs may report lump-sum payments through the Federal Child Support Portal’s Debt Inquiry Service (DIS) application.⁷ The DIS requires the SOI to provide their Federal Employer Identification Number (FEIN), company/organization name, the name of a contact person, and his/her phone number, fax, and email. It also requires the SOI to identify an expected payout date and a payout type. The DIS will notify OCS Central Operations staff via email when an SOI has reported a lump-sum payout to the DIS.

3.2 Redirecting SOI Contact

When an SOI contacts FOC staff, Michigan State Disbursement Unit (MiSDU) staff, or IV-D staff other than those in OCS Central Operations to report lump-sum payments, IV-D staff will tell the SOI to contact OCS Central Operations. OCS Central Operations staff will advise the SOI to report future lump-sum payments through the reporting methods listed above. In addition to directing the SOI to contact OCS Central Operations, IV-D staff may inform SOIs that lump-sum payments can be reported through the Portal’s DIS application or through the e-IWO System if Michigan is actively participating with the SOI in the e-IWO System.⁸ OCS Central Operations will:

⁶ Ref: *Michigan IV-D Child Support Manual* Section 6.03, Subsection 6.6.3(L)(3), “SOI-initiated Lump-Sum Acknowledgments.”

⁷ Ref: Section 3.06 of the *Michigan IV-D Child Support Manual* and the federal Office of Child Support Enforcement’s (OCSE’s) [Child Support Portal](#) web page.

⁸ Ref: [Frequently Asked Question \(FAQ\), “How can I tell if an employer is set up in MiCSES to accept electronic IWOs \(e-IWOs\)?”](#) on mi-support for details on determining whether an SOI is active for an e-IWO with Michigan.

- Advise the SOI about the e-IWO System and Portal reporting methods;
- Tell the SOI the information that they will need to report; and
- Refer the SOI to OCSE's website for more information about reporting through the DIS application or e-IWO System.⁹

4. OCS Central Operations Staff Actions

When OCS Central Operations receives notification, either directly or through the DIS, that an SOI will be paying lump-sum payments, OCS Central Operations staff will compile an *Employee Listing / Bonus Report* (which is also called the statewide EMPR report) for the SOI and the FOC office.¹⁰ When OCS Central Operations receives the email notification through the DIS, OCS Central Operations staff will log into the DIS, download any SOI-provided payout reports, and use the downloaded reports to compile the statewide EMPR report.

4.1 Obtaining, Verifying and Maintaining SOI and Lump-Sum Payment Information

Upon being contacted directly by an SOI or receiving an email notice from the DIS, OCS Central Operations staff will obtain and verify the name(s), FEINs, and other identifying or contact information for the SOI and the SOI's subsidiaries that will be issuing lump-sum payments. OCS Central Operations staff will ensure the SOI's information is correct in MiCSES and merged if necessary.¹¹

If the SOI provides a remittance date and/or a lump-sum payment type upon initial contact with OCS Central Operations to report lump-sum payments, OCS Central Operations will provide that date to the FOC with a copy of the statewide EMPR report (Ref: Subsections 4.2 and 4.4 below). If the SOI does not initially identify the remittance date or the type of lump-sum payment, OCS Central Operations staff will obtain the remittance date and lump-sum payment type from the SOI.

4.2 Generating the *Employee Listing / Bonus Report* (Statewide EMPR Report)

OCS Central Operations staff will compile a statewide EMPR report from the MiCSES *Employee Report* (EMPR) screen for the SOI.¹² An SOI may directly provide OCS Central Operations staff with a list(s) of individuals who will be receiving a lump-sum payment, or the SOI will provide this information through the DIS. When this occurs, OCS Central Operations staff will review the SOI-provided payout reports(s) and compile the statewide EMPR report that includes only those NCPs who:

⁹ Ref: OCSE's web pages Child Support Portal, [Child Support Portal – Bonus/Lump Sum Reporting](#), or [e-IWO](#).

¹⁰ Ref: Subsection 4.5 of this manual section for details about the statewide report.

¹¹ Ref: [Section 3.16, "Other Parties," of the Michigan IV-D Child Support Manual](#).

¹² Ref: [EMPR screen documentation](#) on mi-support.

- Were on the SOI-provided report(s); and
- Meet the selection criteria on the EMPR screen.

If the SOI reports a lump-sum payment for an NCP who has an arrearage but an IWN was never issued to the employer (rare circumstance) or the IWN is no longer active in MiCSES (more common), OCS Central Operations staff will contact the FOC office to issue/re-issue an IWN if appropriate.¹³

4.3 Sending the Statewide EMPR Report to the SOI

OCS Central Operations staff will send the statewide EMPR report to the SOI with the *Instructions for Withholding and Remitting Support From Employee/Obligor Lump-Sum Payments* (DHS-1425) cover letter. Due to the confidential nature of the data in the report, OCS Central Operations staff must ensure the report is securely encrypted and password-protected if it is sent to the SOI through email.¹⁴ The SOI will use the statewide EMPR report to determine the amount to withhold from the lump-sum payments.

4.4 Sending the Statewide EMPR Report to the FOC Offices

OCS Central Operations staff will send a copy of the statewide EMPR report via email to FOC offices that have an NCP listed. The email will also identify the type of lump-sum payment that the SOI is issuing (e.g., bonus, severance, etc.) and the remittance date (for the purpose of chargeable bonus obligations), if known. If the report includes NCPs with a chargeable bonus percentage indicated, OCS Central Operations staff will provide the SOI's contact information to the FOC to support the FOC's actions for chargeable bonuses.¹⁵

Due to the confidential nature of the data in the statewide EMPR report, OCS Central Operations staff will email the statewide EMPR report as an attached and encrypted file to a worker(s) at the FOC office who is designated to receive confidential email.¹⁶ OCS Central Operations staff will not honor a request to send the report to an FOC email account other than that of a designated confidential email recipient. Because of staffing limitations, OCS Central Operations staff also will not honor a request to send a separate email to notify FOC staff that a report has been sent to the designated confidential email recipient.

¹³ Ref: Subsection 5.1 in this manual section.

¹⁴ Ref: [Section 1.10, "Confidentiality/Security," of the Michigan IV-D Child Support Manual.](#)

¹⁵ Ref: Subsection 5.2, "FOC Actions for Chargeable Bonus Cases," in this manual section.

¹⁶ Ref: Section 1.10 of the *Michigan IV-D Child Support Manual*.

4.5 Statewide EMPR Report Contents/Criteria

Refer to the [MiCSES Report Description: EMPR – Employee Listing/Bonus Report](#) for details regarding the data included in the report and MiCSES' NCP/docket selection criteria. The report is in a Microsoft® Excel format that the SOI and FOC staff can sort. Cases with chargeable bonus percentage orders are listed at the top.

The report does not indicate lump-sum withholding exemptions or whether an order for future support exists. It only identifies an arrears amount and/or the chargeable bonus percentage for IWNs that are active in MiCSES. (Ref: Subsection 5.3, "FOC Actions for Future Pay From a Lump-Sum Payment," and Subsection 5.4, "Court-Ordered Exemptions From Lump-Sum Withholding," in this manual section.)

5. FOC Staff Actions

FOC staff are responsible for monitoring and reviewing the EMPR reports received from OCS Central Operations. If the FOC staff responsible for lump-sum payments are not the designated recipients of confidential email for their office, FOC offices should implement local procedures that ensure the appropriate staff are notified and provided the report when it is received.

FOC staff are also responsible for monitoring the *Electronic Withholding Information* (EIWO) screen, lump-sum reporting alerts, and the *Enforcement Processor* (ENFP) screen for lump-sum payment notifications received through the e-IWO System and the subsequent automated actions.

FOC action is necessary if a court order includes a chargeable bonus provision, a provision for withholding lump-sum payments for future support, or an exemption from lump-sum withholding. (Ref: Subsections 5.2, 5.3, and 5.4 in this manual section.)

5.1 FOC Actions for NCPs/Dockets Not Listed on the Statewide EMPR Report

If an NCP is not listed in the statewide EMPR report generated by OCS Central Operations, FOC staff may manually issue a one-time lump-sum IWN/e-IWO when appropriate.¹⁷ FOC staff may also choose to generate statewide EMPR reports for their county for comparison to the statewide EMPR report provided by OCS Central Operations staff and determine if further action is needed. FOC staff must not send locally produced EMPR reports to an SOI. Instead, FOC staff should, when appropriate, manually generate a one-time lump-sum IWN/e-IWO for an NCP who is not included on the statewide EMPR report.

¹⁷ Ref: Subsection 2.3, "Withholding Lump-Sum Payments Requires an IWN," in this manual section and *Michigan IV-D Child Support Manual* Section 6.03, Subsection 13.13.4(B), "Manual Lump-Sum IWNs."

5.2 FOC Actions for Chargeable Bonus Cases

5.2.1 Entering the Court-Ordered Chargeable Bonus Percentage

If the order contains a provision that a specific percentage of a bonus payment be withheld as an additional amount of support, IV-D staff must enter this percentage in the *Chargeable Bonus %* field on the *Support Order Entry* (SORD) screen. Entry of this information on the SORD screen allows it to appear on the EMPR report.

If the order does not contain a provision that a specific percentage of a bonus payment be withheld as an additional amount of support, IV-D staff must not enter a percentage on the SORD screen. If the court modifies the chargeable bonus percentage ordered for the child support obligation, FOC staff must update the percentage on the SORD screen.¹⁸

Note: FOC staff must not enter Michigan's statutory withholding limitation in the *Chargeable Bonus %* field.¹⁹

5.2.2 Determining the Date and Amount of the Lump-Sum Payment

A. If the SOI reports the lump-sum payment via the DIS or by directly contacting OCS Central Operations and the FOC office has cases on the statewide EMPR report with a chargeable bonus percentage, FOC staff will:

1. Contact the SOI to determine the total lump-sum payment that the NCP will be receiving and the date the withheld amount will be remitted to the MiSDU (if not already identified by OCS Central Operations); and
2. Calculate the chargeable bonus amount by multiplying the total lump-sum payment amount by the chargeable bonus percentage amount established in the order.

B. If the SOI reported the lump-sum payment through the e-IWO System, FOC staff will:

1. Verify that a one-time lump-sum e-IWO or IWN was sent to the SOI;

¹⁸ Because IWNs do not state a chargeable bonus percentage, OCS entered a ticket (INC470960) to ensure MiCSES does not automatically generate a new IWN/e-IWO when the *Chargeable Bonus %* field is updated.

¹⁹ Ref: *Michigan IV-D Child Support Manual* Section 6.03, Subsections 9, "SOI Withholding Limitation," and 13.13, "IWNs for Lump-Sum Payments."

2. Determine the date the lump sum will be withheld and sent to the MiSDU (MiCSES displays this date in the *Date Lump Sum* field on the EIWO screen's *Lump Sum* tab); and
3. Determine the chargeable bonus amount (MiCSES automatically calculates this amount and displays it in the *Amt Chrg Bonus* field on the EIWO screen's *Lump Sum* tab).

5.2.3 Entering the Chargeable Bonus As an Additional Amount of Support

Refer to *Michigan IV-D Child Support Manual* [Section 5.20, "Obligation – Entry, Modification and Adjustments."](#) for details regarding the entry or adjustment of an obligation for a chargeable bonus.

Note: Adding an obligation to a case for a chargeable bonus will not ensure MiCSES will allocate the payment to the specific case. The MiSDU posts all employer payments as "wage" payments. Wage payments will allocate according to the standard IWN allocation rules.²⁰

5.3 FOC Actions for Future Pay From a Lump-Sum Payment

When OCS Central Operations staff notify the FOC that an NCP is eligible for a lump-sum payment (e.g., severance pay) through his/her SOI, the court may order that a portion of a lump-sum payment be used for future support. If an order for future support exists, FOC staff may generate a one-time lump-sum payment IWN to the SOI, depending upon the provisions of the order.²¹ MiCSES does not include an amount for future support when it calculates the withholding amount for lump-sum e-IWOs.²²

5.4 Court-Ordered Exemptions From Lump-Sum Withholding

The court may exempt an NCP from lump-sum withholding even though the NCP is subject to periodic income withholding. However, MiCSES does not track lump-sum exemptions. Consequently, MiCSES does not prevent IWNs/e-IWOs from being issued (manually or automatically) for lump-sum payments, does not include exemption language on IWNs/e-IWOs, and does not exclude NCPs from the EMPR report.

After reviewing the EMPR report, FOC staff must contact the SOI as soon as possible and advise the SOI of the appropriate withholding where an exemption

²⁰ Ref: [Section 5.35, "Allocation/Distribution," in the Michigan IV-D Child Support Manual.](#)

²¹ Ref: [Action Transmittal \(AT\) 2005-027, Receiverships/Trusts/Performance Bonds for Future Support,](#) for additional procedures to ensure the disbursement of future support withholdings through MiCSES.

²² Ref: *Michigan IV-D Child Support Manual* Section 6.03, Subsection 13.13.4, "One-Time Lump-Sum Payment IWNs (FEN58A)."

exists. FOC staff must also ensure that any inappropriately withheld lump-sum amount is returned to the NCP.²³

If an NCP or SOI contacts IV-D staff (other than FOC staff) regarding a lump-sum withholding exemption, IV-D staff should advise the NCP or SOI to contact the FOC office(s) that enforces the NCP's case(s).

6. SOI Compliance With Lump-Sum Withholding

6.1 SOI Withholding Limitation

The amount withheld by an SOI from a lump-sum payment for arrears plus a chargeable bonus may not exceed the amount allowed by law of the state or Tribe of the individual's principal place of employment, or the amount allowed by the Consumer Credit Protection Act (CCPA) – whichever is least. Refer to Section 6.03, Subsection 9, "SOI Withholding Limitation," of the *Michigan IV-D Child Support Manual* for details regarding withholding limitations.

6.2 SOI Refusal to Withhold Chargeable Bonus Percentage or Honor an EMPR Report

An IWN that states a withholding amount as a percentage is not "regular on its face" pursuant to the *Income Withholding for Support* form's instructions. Per the instructions, an SOI may reject an IWN, return it to the sender, and refuse to withhold if the withholding amounts are not stated in terms of dollar amounts. In particular, this may occur when the withholding amount is stated in terms of a percentage for court-ordered chargeable bonuses.²⁴

Note: An IWN issued prior to July 31, 2015 included a withholding percentage and withholding instructions in the **Supplemental Information** section if a chargeable bonus percentage was entered on the SORD screen. An SOI may refer to that IWN at the time a lump sum will be paid to the NCP to determine the amount to withhold from the lump-sum payment. IWNs issued after July 31, 2015 do not include a withholding percentage or withholding instructions in the **Supplemental Information** section.

If an SOI rejects or refuses to withhold a lump-sum payment based on an IWN issued before July 31, 2015 because it requests a percentage, IV-D staff should:

²³ Ref: *Michigan IV-D Child Support Manual* Section 6.03, Subsection 15, "SOI Overpayment or Mispayment."

²⁴ Ref: Subsection 2.2, "Chargeable Bonus," in this manual section as well as Section 6.03 of the *Michigan IV-D Child Support Manual* for general SOI income withholding compliance and enforcement policy.

- Ask the SOI to disregard the percentage and implement the withholding for the dollar amount(s) stated on the notice;
- Reissue the IWN without language that requests a percentage withholding; or
- Seek an alternate legal method for attaching a percentage of a lump-sum payment as additional support (i.e., use a method other than issuing an IWN).

An SOI may refuse to accept the EMPR report as a basis for withholding from a lump-sum payment because the report is not an IWN that is “regular on its face” (e.g., it is not issued on the federally approved *Income Withholding for Support* form).²⁵ If this occurs, IV-D staff should:

- Ask the SOI to withhold per the EMPR report because an IWN was previously issued to the SOI; or
- Issue a FEN58A.

OCS does not recommend IV-D staff initiate show cause actions against the SOI solely based on the SOI’s refusal to implement an IWN (or honor an EMPR report) that states a withholding amount as a percentage. Show cause actions against an SOI for rejecting an IWN because the withholding amount is stated as a percentage are not IV-D-funded activities, and OCS will not reimburse an FOC office for these activities.²⁶

SUPPORTING REFERENCES:

Federal

Social Security Act, Title IV, Part D, section 459(h)(1) codified as USC Title 42, section 659(h)(1)

Social Security Act, Title IV, Part D, section 466(b)(8) codified as USC Title 42, section 666(b)(8)

State

MCL 552.602(n)

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[IV-D Memorandum 2018-013](#)

IV-D Memorandum 2016-021

IV-D Memorandum 2015-017

IV-D Memorandum 2012-014

IV-D Memorandum 2011-012

²⁵ Ref: Subsection 2.3, “Withholding Lump-Sum Payments Requires an IWN,” and Subsection 4, “OCS Central Operations Staff Actions,” in this manual section.

²⁶ FOCs can continue to use IV-D funds to collect on “chargeable bonus” orders through other enforcement tools. Also, FOCs can continue to use IV-D funds to enforce (show cause) against employers who fail to comply with the IWN for other (illegitimate) reasons.